Unnati ZCZP Bonds

Why in news?

Social stock exchange sees 1st listing with Unnati Foundation 1st entity in December 2023.

What are Social Stock Exchanges (SSE)?

- A ***separate segment of the existing Stock Exchange*** that can help social enterprise's *to raise funds from public* through the stock exchange mechanism.
- It will act as a *medium between Social Enterprises and fund providers*.
- SEBI had *permitted social enterprises registered* on these exchanges to raise funds through zero coupon zero principal bonds (ZCZP) in 2022.

What is a ZCZP instruments?

- **ZCZP** – Zero Coupon Zero Principle are financial instrument that are included in the list of ***securities under Securities Contracts (Regulation) Act, 1956***.
- They do ***not give any interest***, and investors will ***not get any money back*** on the maturity of the bond.

Debt Security (Bond)	ZCZP instrument
It is like a loan.	It is not a loan but a donation.
It makes interest payments and the principal when the bond matures.	It doesn't makes interest payments and the principal on maturity.

- **Eligibility criteria for issuance** – ***Only by NPO*** that are registered with Social Stock Exchange (SSE).
- ZCZP can only be issued for a *specific project with specific tenure*.
- The project must fall under the list of eligible activities under SEBI (ICDR) Regulations, 2018.
- **Issuance** - They are issued ***through private placement or public issuance.***
  - Minimum issue size – Rs. 50 Lakh (originally Rs.1 crore)
  - Minimum application size – Rs.10, 000 (originally Rs.2 lakh)
  - Minimum subscription required - 75% of the funds proposed
- **Trade** – They shall be issued in ***dematerialized form only***.
- They are ***not available for trading in the secondary market***, but they can be transferred to legal heirs.
- **Maturity** – It will mature when the project for which they are raised terminate, or 12 months from the date of allotment.

What is Unnati ZCZP Bonds?

- **Issuer – *SGBS Unnati Foundation, an NPO*** formed in November 2011.

    - **Unnati** – Vocational training program for underprivileged and unemployed youth in the age group of 18 to 25 years.
    - **UNXT** – 1 month training programme for final year students at government colleges.
    - **Sugam** – A grassroot entrepreneurship accelerator helping non-urban youth to develop scalable businesses.
- **Need of funds** –To ***train up to 10,000 graduating youth*** from government colleges in Uttar Pradesh, Madhya Pradesh, Karnataka, Andhra Pradesh and Tamil Nadu to help them secure employment.
    - The youth will be trained for 165 hours (classroom learning and self-learning content on a mobile application).
    - Cost per head for training would be ₹2,000 per youth.
- **Specifics** – It is a ***public issue*** with face value of ₹1 each of ₹2 crore that will be ***listed on the NSE***.

Unnati ZCZP bond is the ***1st such listing on SSE segment in India.***

- This listing will be displayed along with other such future bond issuances on the social stock exchange page on the NSE website.
- It ***raised Rs 1.8 crore from 4 investors*** and include brokerage firm Zerodha and National Bank for Agriculture and Rural Development (NABARD).

What are the benefits of these ZCZP instruments?

- There are obviously ***no pecuniary benefits*** from these instruments as it is akin to a donation made to a charity.
- **Greater transparency** - The end use of the funds can also be ***monitored*** since the enterprises have to ***disclose details of money utilised and balance*** amount remaining to exchanges.
- **Visibility to the social enterprises** - It helps them to approach the public at regular intervals if they can show good outcomes.

Quick Facts

- **Social enterprises** – Enterprise that are engaging in the activity of creating positive social impact and that meets primacy of their social intent.
    - Not-for-profit organization
    - For profit social enterprise

References

1. The Hindu Business Line| Unnati ZCZP Bonds
2. NSE Archives| Zero Coupon Zero Principle Instrument



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